

CITY OF SYLVAN LAKE, MICHIGAN

63-7220

Report on Audit of Accounts

June 30, 2004

JANZ & KNIGHT
A PROFESSIONAL LIMITED LIABILITY COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
BLOOMFIELD HILLS, MICHIGAN

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input checked="" type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name City of Sylvan Lake, Michigan	County Oakland
Audit Date 6/30/2004	Opinion Date 10/21/2004	Date Accountant Report Submitted to State: 12/31/2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan by the Michigan Department of Treasury.

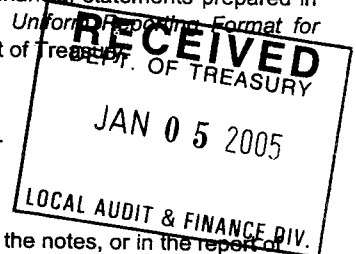
We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☒ Yes ☐ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).



We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Janz & Knight, P.L.C.			
Street Address 300 East Long Lake Road, Suite 360		City Bloomfield Hills	State MI
Accountant Signature <i>J. M. Janz</i>		ZIP 48304-2377	Date 12/3/04

CITY OF SYLVAN LAKE, MICHIGAN

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JANZ & KNIGHT, P.L.C.

CERTIFIED PUBLIC ACCOUNTANTS
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50
YEARS
1954-2004

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INDEPENDENT AUDITOR'S REPORT

Members of the Council
City of Sylvan Lake, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Sylvan Lake, Michigan, as of and for the year ended June 30, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Sylvan Lake, Michigan, management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sylvan Lake, Michigan, as of June 30, 2004 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note B, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of June 30, 2004.

The management's discussion and analysis and budgetary comparison information as identified in the table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Sylvan Lake, Michigan basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Very truly yours,

Janz & Knight, P.L.C.

Certified Public Accountants

Bloomfield Hills, Michigan

October 21, 2004

June 30, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Sylvan Lake's (the City) management's discussion and analysis is designed to assist the reader in focusing on significant financial issues, provide an overview of the City's financial activity, identify changes in the City's financial position (its ability to address the next and subsequent years' challenges), identify significant variances from the approved budget, and identify individual fund issues or concerns.

Using this Annual Report

The City's annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than government-wide financial statements.

Government-Wide Financial Statements

The government-wide financial statements consist of the Statement of Net Assets and Statement of Activities. They are designed to be corporate-like in that all governmental and business-type funds are consolidated into columns which add to a total for the primary government. These statements include all assets and liabilities using the accrual basis of accounting. All of the current year's revenues and expenses are also taken into account regardless of timing of cash being paid or received.

The City as a Whole

Net Assets - The City's combined net assets were \$2,911,580 at the close of the year ended June 30, 2004. This represents an increase of \$383,000 or a 15% increase from a year ago. As we look at governmental activities separately from the business-type activities, we can see that the governmental activities have seen the more modest increase, of approximately \$80,000. The business-type activity has experienced a \$303,000 increase in net assets. This is primarily because of an operating surplus in the Sewer Service Fund. The majority of this surplus was the result of a negotiated settlement with the City of Pontiac concerning prior sewer charge assessments.

Since this is the first year the City has presented government-wide financial statements, comparisons to the prior year have not been presented. In future years, when prior year information is available, a comparative analysis of government-wide data will be included.

The following table reflects the condensed Statement of Net Assets for the year ended June 30, 2004:

Table 1
Statement of Net Assets

ASSETS	Governmental Activities	Business-Type Activity	Total
Current and other assets			
Capital assets	\$ 2,139,207	\$ 1,850,783	\$ 3,989,990
	<u>4,252,749</u>	<u>2,056,262</u>	<u>6,309,011</u>
Total assets	<u>\$ 6,391,956</u>	<u>\$ 3,907,045</u>	<u>\$10,299,001</u>
LIABILITIES AND NET ASSETS			
Current and other liabilities	\$ 602,819	\$ 379,601	\$ 982,420
Long term debt outstanding	<u>4,335,000</u>	<u>2,070,000</u>	<u>6,405,000</u>
Total liabilities	\$ 4,937,819	\$ 2,449,601	\$ 7,387,420
Net assets:			
Invested in capital assets, net of related debt	412,098	(83,738)	328,360
Restricted	65,208		65,208
Unrestricted	<u>976,831</u>	<u>1,541,182</u>	<u>2,518,013</u>
Total net assets	<u>\$ 1,454,137</u>	<u>\$ 1,457,444</u>	<u>\$ 2,911,581</u>
Total liabilities and net assets	<u>\$ 6,391,956</u>	<u>\$ 3,907,045</u>	<u>\$10,299,001</u>

CITY OF SYLVAN LAKE, MICHIGAN

June 30, 2004

Unrestricted net assets are net assets that can be used to finance day to day operations. Restricted net assets of the City totaled approximately \$65,000. These net assets have limitations on their use that were imposed by restrictions such as enabling legislation, grant or bond covenants. The investment in capital assets represents the City's capital assets that provide services to citizens; accordingly, these assets are not available for future spending.

The following table shows the changes in net assets for the year ended June 30, 2004:

Table 2
Changes in Net Assets

	Governmental Activities	Business-Type Activity	Total
Program Revenue:			
Charges for services	\$ 233,895	\$ 752,114	\$ 986,009
Operating grants and contributions	122,366		122,366
Capital grants and contributions	51,234		51,234
General Revenue:			
Property taxes	1,089,043	158,517	1,247,560
State shared revenue	154,074		154,074
Interest income	32,449	15,409	47,858
Franchise fees	20,787		20,787
Miscellaneous	6,706		6,706
Sale of fixed assets	7,664		7,664
Total revenue	\$ 1,718,218	\$ 926,040	\$ 2,644,258
Program Expenses:			
General government	231,058		231,058
Public safety	698,792		698,792
Public works	399,731		399,731
Community and economic development	19,053		19,053
Recreation and culture	107,826		107,826
Interest on long term debt	181,648		181,648
Sewer and water		613,885	613,885
Recreational vehicle storage		9,217	9,217
Total program expenses	\$ 1,638,108	\$ 623,102	\$ 2,261,210
Increase in net assets	\$ 80,110	\$ 302,938	\$ 383,048
Net assets - July 1, 2003	1,374,026	1,154,506	2,528,532
Net assets - June 30, 2004	\$ 1,454,136	\$ 1,457,444	\$ 2,911,580

As shown in the above table total revenues were approximately \$2.6 million, of which 47% was obtained from property taxes, 37% for fees charged for services and 6% for state shared revenues. Total expenses were approximately \$2.3 million, of which 27% was for sewer and water operations, 31% for public safety and 18% for public works.

Business Type Activities

The City's business-type activities consists of the Sewer and Water Operation Funds and Recreational Vehicle Storage Fund. The City provides sewer service to 841 customers and water service to 849 customers. During the year the City constructed Sewer and Water System improvements of \$849,530 and \$632,553, respectively.

June 30, 2004

The City Funds

The analysis of the City's major funds begins on page 10, following the government-wide financial statements. The fund financial statements provide detail information about the most significant funds, not the City as a whole. The City Council creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The City's major funds for 2004 include the General Fund, Major Road Fund, Local Road Fund, Garbage and Rubbish Collection Fund, Street Drainage Debt Fund and the Street Drainage Capital Project Fund.

The General Fund is the main operating fund of the City. Total revenues for the year were approximately \$1,132,000. Of this revenue, 57% was from property taxes, 16% was from charges for services and 14% was from state shared revenues. Total expenditures for the year were approximately \$1,131,000. Of these expenditures, 45% was for public safety and 14% was for general government. At June 30, 2004 the unreserved fund balance of \$544,929 represented 48% of the total General Fund expenditures for the year.

The Major Road Fund accounts for the repairs, maintenance and construction of all City major streets. The fund balance of this fund at June 30, 2004 was \$145,570.

The Local Road Fund accounts for repairs, maintenance and construction of all City local streets. The fund balance of this fund at June 30, 2004 was \$82,933.

The Garbage and Rubbish Collection fund accounts for the collection for garbage and rubbish within the City. The fund balance of this fund at June 30, 2004 was \$157,924.

The Street and Drainage Debt Service Fund is a debt service fund used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest and related costs associated with the construction of City streets and drains. The fund balance of this fund at June 30, 2004 was \$2,620.

The Street and Drainage Capital Project Fund is a capital project fund used to account for financial resources such as bond proceeds and other revenue necessary for the purpose of construction City street and drains. The fund balance of this fund at June 30, 2004 was \$624,349.

General Fund Budgetary Highlights

Over the course of the year, the City Council amended the budget to take into account events during the year. Charges for services revenue was amended to reflect the administration services provided for capital projects. Public works salaries were amended to reflect the labor cost associated with capital project administrations.

City departments overall stayed below budget, resulting in total expenditures \$24,756 below budget. In addition, actual revenue exceeded budgeted amounts by \$24,524. This allowed the General Fund's fund balance to increase from \$566,839 a year ago to \$567,811.

Capital Asset and Debt Administration

At the end of June 30, 2004, the City had \$6,309,011 invested in a broad range of capital assets (net of accumulated depreciation), including buildings, equipment, roads, and water and sewer lines.

During the year, the City constructed major and local streets totaling \$3,055,866. In addition, \$562,517 in road construction in progress the prior year was completed.

Other major expenditures for capital asset during the year included the following:

1. Sewer System improvements - \$849,530;
2. Water System improvements - \$632,553;
3. Play structure - \$40,132.

Long-Term Debt

The City's total indebtedness at June 30, 2004 was \$6,605,000. No new debt was issued during the current fiscal year. The City maintains a "A+" rating from Standard & Poor's. Additional information on the City's long-term debt can be found in Note G.

CITY OF SYLVAN LAKE, MICHIGAN

June 30, 2004

Economic Factors and Next Year's Budgets and Rates

The City's 2005 budget was prepared using various economic factors as follows:

Revenues:

Property tax rates for 2005 are as follows:

	<u>2005</u>	<u>2004</u>
Operating:		
General operating	7.0876	7.1948
Garbage and rubbish	2.1261	2.1583
Library	<u>0.2313</u>	<u>0.2349</u>
	9.4450 mills	9.5880 mills
Debt services	<u>5.3124</u>	<u>4.6329</u>
Total	<u>14.7574</u> mills	<u>14.2209</u> mills

State shared revenues and interest income are expected to slightly increase compared to 2004 but still below historical amounts.

Charges for services and related administration expenses for City capital projects are expected to decrease as these projects are close to completion.

Expenditures:

Fire protection has been adjusted to reflect cost increases.

The 2005 General Fund budget expects a deficit of approximately \$62,600. Accordingly, the City is planning on using some of the prior years accumulated reserves. The projected General Fund's fund balance at June 30, 2005 is approximately \$504,800 which represents approximated 45% of the General Fund expenditures for the year.

Request for Information

This financial report is intended to provide citizens, taxpayers, customers, and investors with a general overview of the City's finances and to show the City's accountability for the money it receives. If you have any questions or concerns about this report or need additional information, contact the Clerk's Office, at the City of Sylvan Lake, 1820 Inverness Avenue, Sylvan Lake, Michigan 48320.

CITY OF SYLVAN LAKE, MICHIGAN

STATEMENT OF NET ASSETS

June 30, 2004

	Governmental Activities	Business-type Activity	Total
ASSETS			
Cash and investments	\$ 2,037,750	\$ 1,696,023	\$ 3,733,774
Receivables:			
Taxes	6,492		6,492
Customers		160,799	160,799
Interest	2,110	5,243	7,354
Other	5,739		5,739
Due from other governments	46,235		46,235
Internal balances	11,283	(11,283)	
Prepaid and other assets	22,881		22,881
Restricted assets - cash and cash equivalents	6,716		6,716
Capital assets, net:			
Depreciable	3,936,033	2,056,262	5,992,295
Nondepreciable	316,716		316,716
Total assets	<u>\$ 6,391,956</u>	<u>\$ 3,907,045</u>	<u>\$ 10,299,001</u>

LIABILITIES AND NET ASSETS

LIABILITIES AND NET ASSETS			
Liabilities:			
Accounts payable	\$ 370,725	\$ 283,783	\$ 654,508
Accrued wages	23,498	1,416	24,914
Accrued interest	41,940	24,402	66,342
Due to other governments	36		36
Compensated absences	36,621		36,621
Noncurrent liabilities:			
Due within one year	130,000	70,000	200,000
Due in more than one year	4,335,000	2,070,000	6,405,000
Total liabilities	<u>\$ 4,937,819</u>	<u>\$ 2,449,601</u>	<u>\$ 7,387,420</u>
Net assets:			
Invested in capital assets, net of related debt	412,098	(83,738)	328,360
Restricted for:			
Debt service	(23,099)		(23,099)
Capital projects	81,591		81,591
Other	6,716		6,716
Unrestricted	976,831	1,541,182	2,518,013
Total net assets	<u>\$ 1,454,137</u>	<u>\$ 1,457,444</u>	<u>\$ 2,911,580</u>
Total liabilities and net assets	<u>\$ 6,391,956</u>	<u>\$ 3,907,045</u>	<u>\$ 10,299,001</u>

The attached notes are an integral part of the financial statements.

CITY OF SYLVAN LAKE, MICHIGAN

STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2004

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government				
Governmental activities:				
General government	\$ 231,058	\$ 126,474	\$	\$
Public safety	698,792	53,343	2,177	
Public works	399,731	5,908	112,986	
Community and economic development	19,053		964	
Recreation and culture	107,826	48,170	6,239	51,234
Interest on long term debt	181,648			
Total governmental activities	\$ 1,638,109	\$ 233,895	\$ 122,366	\$ 51,234
Business-type activity:				
Sewer	\$ 325,375	\$ 496,990	\$	\$
Water	288,510	245,016		
Recreational vehicle storage	9,217	10,107		
Total business-type activities	\$ 623,102	\$ 752,114	\$	\$
Total primary government	\$ 2,261,211	\$ 986,009	\$ 122,366	\$ 51,234

General revenues:

Property taxes	
State shared revenues	
Interest income	
Franchise fees	
Miscellaneous	
Special item - sale of fixed assets	

Total general revenues, special items and transfers .

Changes in net assets

Net assets - July 1, 2003 (restated)

Net assets - June 30, 2004

Net (Expense) Revenue and
Changes in Net Assets

Governmental Activities	Business-type Activity	Total
\$ (104,584)	\$	\$ (104,584)
(643,271)		(643,271)
(280,837)		(280,837)
(18,089)		(18,089)
(2,184)		(2,184)
(181,648)		(181,648)
<u>\$ (1,230,613)</u>	<u>\$</u>	<u>\$ (1,230,613)</u>
\$	\$ 171,615	171,615
	(43,494)	(43,494)
	890	890
<u>\$</u>	<u>\$ 129,012</u>	<u>129,012</u>
\$ (1,230,613)	\$ 129,012	\$ (1,101,602)
1,089,043	158,517	1,247,560
154,074		154,074
32,449	15,409	47,858
20,787		20,787
6,706		6,706
7,664		7,664
<u>\$ 1,310,723</u>	<u>\$ 173,926</u>	<u>\$ 1,484,650</u>
\$ 80,110	\$ 302,938	\$ 383,048
<u>1,374,027</u>	<u>1,154,506</u>	<u>2,528,533</u>
<u>\$ 1,454,137</u>	<u>\$ 1,457,444</u>	<u>\$ 2,911,581</u>

The attached notes are an integral part of the financial statements.

CITY OF SYLVAN LAKE, MICHIGAN

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2004

ASSETS	General	Major Road Fund	Local Road Fund	Garbage and Rubbish Collection Fund	Street and Drainage Debt Fund
Cash and investments.	\$ 586,793	\$ 129,465	\$ 74,550	\$ 168,307	\$ 5,118
Receivables:					
Taxes	6,492				
Interest.	2,054				
Other	5,264				2
Due from other funds.	38,060	4,243	3,804	500	
Due from other governments.	27,219	13,328	5,687		
Prepaid and other assets.	22,881				
Total assets.	<u>\$ 688,764</u>	<u>\$ 147,036</u>	<u>\$ 84,042</u>	<u>\$ 168,807</u>	<u>\$ 5,120</u>
LIABILITIES AND FUND EQUITY					
Liabilities:					
Accounts payable.	\$ 91,290	\$ 1,114	\$	\$ 10,352	\$
Accrued salaries and wages.	21,383	352	742	531	
Due to other funds.	8,280		367		2,500
Due to other governments.					
Total liabilities.	<u>\$ 120,953</u>	<u>\$ 1,466</u>	<u>\$ 1,109</u>	<u>\$ 10,883</u>	<u>\$ 2,500</u>
Fund equity:					
Fund balances:					
Reserved for prepaid expenses	22,881				
Unreserved, reported in:					
General Fund.	544,929				
Special Revenue Funds		145,570	82,933	157,924	
Debt service.					2,620
Capital Project Funds					
Total fund equity.	<u>\$ 567,811</u>	<u>\$ 145,570</u>	<u>\$ 82,933</u>	<u>\$ 157,924</u>	<u>\$ 2,620</u>
Total liabilities and fund equity.	<u>\$ 688,764</u>	<u>\$ 147,036</u>	<u>\$ 84,042</u>	<u>\$ 168,807</u>	<u>\$ 5,120</u>

Street and Drainage Capital Project Fund	Non-Major Governmental Funds	Governmental Funds
\$ 907,245	\$ 116,391	\$ 1,987,869
		6,492
47	7	2,110
	60	5,324
	99	46,706
		46,235
		22,881
<u>\$ 907,292</u>	<u>\$ 116,557</u>	<u>\$ 2,117,618</u>
\$ 267,764		\$ 370,521
	490	23,498
15,179	1,967	28,293
	36	36
<u>\$ 282,943</u>	<u>\$ 2,493</u>	<u>\$ 422,347</u>
		22,881
		544,929
	16,253	402,680
	16,220	18,841
624,349	81,591	705,940
<u>\$ 624,349</u>	<u>\$ 114,064</u>	<u>\$ 1,695,271</u>
<u>\$ 907,292</u>	<u>\$ 116,557</u>	<u>\$ 2,117,618</u>

The attached notes are an integral part of the financial statements.

CITY OF SYLVAN LAKE, MICHIGAN

RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES

June 30, 2004

Total governmental fund balances.		\$ 1,695,271
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in government activities are not financial resources, and are not reported in the governmental funds:		
Governmental capital assets	\$ 4,645,675	
Less accumulated depreciation	(403,515)	4,242,160
Long-term liabilities, including compensated absences, are not due and payable in the current period and are not reported in the funds including related accrued interest.		(4,543,561)
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of internal service funds are included in the statement of net assets		60,267
Net assets of governmental activities		\$ 1,454,137

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SYLVAN LAKE, MICHIGAN

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS

For the Year Ended June 30, 2004

	General	Major Road Fund	Local Road Fund	Garbage and Rubbish Collection Fund	Street and Drainage Debt Fund
Revenues:					
Taxes	\$ 650,476	\$	\$	\$ 183,344	\$ 191,052
Licenses and permits	10,748				
Federal sources	305				
State sources	155,908	78,491	33,464	904	
Charges for services	181,457		1,031		
Fines and forfeitures	9,983				
Interest earnings	6,256	1,422	731	2,304	259
Other	117,291				
Total revenues	\$ 1,132,425	\$ 79,913	\$ 35,227	\$ 186,553	\$ 191,312
Expenditures:					
Current:					
General government	162,717				
Public safety	507,272				
Public works	83,020	39,993	34,426	192,923	
Community and economic development	19,053				
Recreation and culture	74,514				
Other	232,575				
Capital outlay	40,132	901,481	2,154,386		
Debt service:					
Principal payments					25,000
Interest and fiscal charges					181,065
Total expenditures	\$ 1,119,283	\$ 941,474	\$ 2,188,811	\$ 192,923	\$ 206,065
Excess of revenues over (under) expenditures	\$ 13,142	\$ (861,561)	\$ (2,153,585)	\$ (6,370)	\$ (14,753)
Other financing sources (uses):					
Operating transfers in		901,481	2,172,478		
Operating transfers out	(12,170)	(18,092)			
Total other financing sources (uses)	\$ (12,170)	\$ 883,389	\$ 2,172,478	\$	\$
Excess of revenues and other sources over (under) expenditures and other uses	\$ 972	\$ 21,828	\$ 18,893	\$ (6,370)	\$ (14,753)
Fund balance - July 1, 2003	566,839	123,742	64,040	164,294	17,374
Fund balance - June 30, 2004	\$ 567,811	\$ 145,570	\$ 82,933	\$ 157,924	\$ 2,620

Street and Drainage Capital Project Fund	Non-Major Governmental Funds	Total Governmental Funds
\$	\$ 64,170	\$ 1,089,043
	28,807	39,555
	99	305
		268,866
		182,489
		9,983
19,784	1,140	31,898
		117,291
\$ 19,784	\$ 94,216	\$ 1,739,429
	175	162,892
	40,883	548,155
	1,988	352,350
		19,053
	20,348	94,862
		232,575
		3,095,998
	30,000	55,000
	14,070	195,135
\$	\$ 107,464	\$ 4,756,020
\$ 19,784	\$ (13,248)	\$ (3,016,590)
(3,055,866)	12,170	3,086,128
		(3,086,128)
\$ (3,055,866)	\$ 12,170	\$
\$ (3,036,082)	\$ (1,078)	\$ (3,016,591)
3,660,431	115,142	4,711,862
\$ 624,349	\$ 114,064	\$ 1,695,271

The attached notes are an integral part of the financial statements.

CITY OF SYLVAN LAKE, MICHIGAN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2004

Net change in fund balances - total governmental fund		\$ (3,016,591)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures; in the statement of activities, these costs are allocated over their estimated useful lives as depreciation:		
Expenditures for capital assets	\$ 3,095,998	
Current year depreciation	(67,627)	3,028,371
Accrued interest is recorded in the statement of activities		13,488
Repayment of bond principal is an expenditure in governmental funds, but not in the statement of activities (where it reduces long-term debt)		55,000
Decrease in accumulated employee vacation and sick pay are recorded when earned in the statement of activity		334
Internal service fund activity is not reported as part of governmental funds; transactions with organizations outside governmental funds are included in the statement of activities		(492)
Change in net assets of governmental activities		<u>\$ 80,110</u>

JANZ & KNIGHT, P.L.C.: CERTIFIED PUBLIC ACCOUNTANTS

The attached notes are an integral part of the financial statements.

CITY OF SYLVAN LAKE, MICHIGAN

STATEMENT OF NET ASSETS
PROPRIETARY FUNDS

June 30, 2004

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

	Business-type Activities				Governmental Activity- Internal Service Fund
	Sewer Service Fund	Water Revenue Fund	Recreational Vehicle Storage (Other Nonmajor Enterprise Fund)	Total	
ASSETS					
Cash and investments.	\$ 826,551	\$ 843,256	\$ 26,217	\$ 1,696,023	\$ 49,881
Receivables:					
Customers	107,871	52,928		160,799	
Interest.	49	5,194		5,243	
Due from other funds.	3,732	2,175		5,907	
Building and improvements			11,047	11,047	57,042
Accumulated depreciation.			(11,047)	(11,047)	(46,453)
Machinery and equipment	1,358,737	1,265,014		2,623,751	
Accumulated depreciation.	(221,899)	(345,590)		(567,490)	
Total assets.	<u>\$ 2,075,041</u>	<u>\$ 1,822,977</u>	<u>\$ 26,217</u>	<u>\$ 3,924,234</u>	<u>\$ 60,471</u>
LIABILITIES AND NET ASSETS					
Liabilities:					
Accounts payable.	\$ 228,524	\$ 55,259	\$	\$ 283,783	\$ 204
Accrued salaries and wages.	650	708	58	1,416	
Accrued interest.	13,987	10,415		24,402	
Due to other funds.	5,845	7,307	4,038	17,190	
Current portion of long-term debt	40,124	29,876		70,000	
Total current liabilities	\$ 289,130	\$ 103,565	\$ 4,095	\$ 396,791	\$ 204
Long-term debt - net of current portion	1,186,524	883,476		2,070,000	
Total liabilities	\$ 1,475,654	\$ 987,041	\$ 4,095	\$ 2,466,791	\$ 204
Net assets:					
Invested in capital assets.	(89,810)	6,072		(83,738)	
Unrestricted.	689,197	829,864	22,121	1,541,182	60,267
Total net assets.	\$ 599,387	\$ 835,936	\$ 22,121	\$ 1,457,444	\$ 60,267
Total liabilities and net assets.	<u>\$ 2,075,041</u>	<u>\$ 1,822,977</u>	<u>\$ 26,217</u>	<u>\$ 3,924,234</u>	<u>\$ 60,471</u>

The attached notes are an integral part of the financial statements.

CITY OF SYLVAN LAKE, MICHIGAN
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS

For the Year Ended June 30, 2004

	Business-type Activities				
			Recreational Vehicle Storage (Other Nonmajor Enterprise Fund)	Combined Total	Governmental Activity- Internal Service Fund
	Sewer Service Fund	Water Revenue Fund			
Operating revenues:					
Charges for services	\$ 489,489	\$ 240,624	\$ 10,107	\$ 740,220	\$ 5,000
Penalties	7,502	4,392		11,894	
Total operating revenue	\$ 496,990	\$ 245,016	\$ 10,107	\$ 752,114	\$ 5,000
Operating expenses:					
Contractual services	174,532	141,009		315,542	
Utilities	1,242	1,624	324	3,190	3,679
Administrative charges	15,000	19,500		34,500	
Salaries and benefits	36,779	40,513	1,603	78,896	
Repairs and maintenance	8,272	9,644		17,917	511
Insurance	3,664	3,664		7,328	
Professional services	1,225	3,637		4,862	
Municipal garage rental	800	850		1,650	
Equipment rental	2,468	2,037		4,505	
Depreciation	24,328	21,717		46,045	1,853
Printing and miscellaneous	597	2,269	7,290	10,155	
Total operating expenses	\$ 268,908	\$ 246,465	\$ 9,217	\$ 524,590	\$ 6,042
Operating income (loss)	\$ 228,083	\$ (1,448)	\$ 890	\$ 227,524	\$ (1,042)
Nonoperating revenue (expense):					
Interest earnings	6,421	8,701	287	15,409	551
Interest expense	(56,310)	(41,928)		(98,238)	
Debt service charges	90,862	67,655		158,517	
Other	(158)	(117)		(275)	
Total nonoperating revenue	40,816	34,311	287	75,414	551
Income (loss)	\$ 268,899	\$ 32,863	\$ 1,176	\$ 302,938	\$ (492)
Net assets - July 1, 2003	330,488	803,073	20,945	1,154,506	60,759
Net assets - June 30, 2004	\$ 599,387	\$ 835,936	\$ 22,121	\$ 1,457,444	\$ 60,267

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

The attached notes are an integral part of the financial statements.

CITY OF SYLVAN LAKE, MICHIGAN

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS

For the Year Ended June 30, 2004

	Business- type Activities			
	Sewer Service Fund	Water Revenue Fund	Recreational Vehicle Storage (Other Nonmajor Enterprise Fund)	Combined Total
Cash flows from operating activities:				
Receipts from customers	\$ 500,618	\$ 249,768	\$ 10,107	\$ 760,493
Payments to suppliers	(147,881)	(202,953)	(324)	(351,158)
Payments to employees	(25,469)	(31,580)	(1,153)	(58,202)
Payments for internal services used	(25,696)	(27,726)	(3,645)	(57,067)
Net cash provided by (used in) operating activities	\$ 301,572	\$ (12,491)	\$ 4,985	\$ 294,067
Cash flows from capital and related financing activities:				
Collection of debt service charges	90,862	67,655		158,517
Repay interfund loan	(38,478)			(38,478)
Purchase of capital assets	(122,196)	(90,986)		(213,183)
Principal and interest paid on capital debt	(91,220)	(67,922)		(159,143)
Net cash (used in) capital and related financing activities	\$ (161,033)	\$ (91,253)	\$	\$ (252,287)
Cash flows from investing activities:				
Interest income	6,372	4,625	287	11,284
Net increase (decrease) in cash	\$ 146,911	\$ (99,119)	\$ 5,272	\$ 53,064
Cash and cash equivalents - July 1, 2003	679,640	942,375	20,945	1,642,960
Cash and cash equivalents - June 30, 2004	\$ 826,551	\$ 843,256	\$ 26,217	\$ 1,696,023
Operating activities:				
Operating income (loss)	\$ 228,083	\$ (1,448)	\$ 890	\$ 227,524
Adjustments to reconcile operating loss to cash provided (used) by operating activities:				
Depreciation	24,328	21,717		46,045
Changes in operating assets and liabilities:				
Decrease in accounts receivable	3,627	4,752		8,379
Increase (decrease) in accounts payable	41,961	(42,541)		(580)
Increase in accrued wages	650	708	58	1,416
Increase in due to other funds	2,923	4,322	4,038	11,283
Net cash provided by (used in) operating activities	\$ 301,572	\$ (12,491)	\$ 4,985	\$ 294,067

The attached notes are an integral part of the financial statements.

CITY OF SYLVAN LAKE, MICHIGAN

STATEMENT OF NET ASSETS
FIDUCIARY FUND

June 30, 2004

Escrow
Fund

ASSETS

Cash and investments	\$ 56,345
Receivables - other	415
Total assets	<u>\$ 56,760</u>

LIABILITIES

Accounts payable	\$ 49,629
Due to other funds	7,131
Total liabilities	<u>\$ 56,760</u>

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

NOTES TO FINANCIAL STATEMENTS

June 30, 2004

NOTE A - Summary of Significant Accounting Policies

The accounting policies of the City of Sylvan Lake conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the City of Sylvan Lake.

Reporting Entity

The City of Sylvan Lake is governed by an elected five-member Council. The accompanying financial statements present the government and its component units, entities for which the government is considered to be financially accountable.

Government-wide and Fund Financial Statements

During the year the City adopted Governmental Accounting Standards Board (GASB) Statement No. 34, which substantially revised the financial statement presentation as described below.

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual--that is, when they become both measurable and available to finance expenditures of the period. Property taxes, state-shared revenue, interest, reimbursement grants, and charges for services are considered to be susceptible to accrual and so have been recognized as revenue of the current period. All other revenue items are considered to be available only when cash is received by the government.

All proprietary funds are accounted for using the accrual basis of accounting. Their revenues are recognized when they are earned, and their expenses are recognized when they are incurred.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board. The government has elected not to follow private-sector standards issued after November 30, 1989 for its business-type activities.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2004

NOTE A - Summary of Significant Accounting Policies (continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's proprietary functions and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services, such as water and sewer distribution and collection, and recreational vehicle storage in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary funds relates to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, and the unrestricted resources as they are needed.

Governmental Funds:

The City reports the following major governmental funds:

General Fund

The General Fund is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Major Road Fund

The Major Road Fund is a special revenue fund used to account for the resources obtained through state gas and weight revenues that are restricted for use on major roads.

Local Road Fund

The Local Road Fund is a special revenue fund used to account for the resources obtained through state gas and weight revenues that are restricted for use on local roads.

Garbage and Rubbish Collection Fund

The Garbage and Rubbish Collection Fund is a special revenue fund used to account for the resources obtained through property taxes that are restricted for collection of garbage and rubbish.

Street and Drainage Debt Fund

The Street and Drainage Debt Fund is a debt service fund used to account for accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs associated with the construction of City streets and drains.

Street and Drainage Capital Project

The Street and Drainage Capital Project is a capital project fund used to account for financial resources such as proceeds of bond issue and other revenue necessary for the purpose of constructing City streets and drains.

Additionally, the City reports the following fund types:

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than expendable trusts or major capital projects) that are legally restricted to expenditures for specified purposes.

Debt Service Funds

Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

Capital Projects Funds

Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by Proprietary Funds and Trust funds).

CITY OF SYLVAN LAKE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2004

NOTE A - Summary of Significant Accounting Policies (continued)

Proprietary Fund

The City reports the following major proprietary fund:

Water Revenue Fund

The Water Revenue Fund accounts for the operation, maintenance and distribution of the water system.

Sewer Service Fund

The Sewer Service Fund accounts for the operation, maintenance and collection of the sewer system.

Internal Service Fund

The City's only internal service fund is the Municipal Garage Fund. This fund accounts for the costs of maintaining automotive equipment used by various City departments. Costs are billed to the departments for labor and materials at actual cost with the elimination of the effect of internal service fund activity adjusted to break even.

Fiduciary Funds

Agency Fund

The Escrow Fund is used to account for assets held by the City as an agent for individuals, private organizations, other governments and/or other funds. The funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Property Taxes

The City of Sylvan Lake property tax is levied on July 1 on the taxable valuation of property (as defined by State statutes) located in the City of Sylvan Lake as of the preceding December 31st.

The City has a fiscal year beginning July 1 and ending June 30. Properties are assessed as of December 31 and the related property taxes are billed and become a lien on July 1 of the following year. These taxes are due without penalty during the period July 1 through August 31 with the final collection date of February 28. Delinquent real property taxes are purchased by Oakland County from the City, and accordingly are recognized as revenue in the current year.

The 2003 taxable valuation of the City of Sylvan Lake totaled \$84,948,525 and is used for the July 1, 2003 tax bills; this resulted in property tax revenue as follows:

<u>Purpose</u>	<u>Mills Levied</u>	<u>Approximate Revenue</u>
City operating millage	7.1948	\$ 611,000
Fire bond retirement	.5177	44,000
Library operations	.2349	20,000
Water/sewer infrastructure bond retirement	1.8661	159,000
Sanitation operations	2.1583	183,000
Street and drainage bond retirement	2.2491	191,000
Lake level operations	.0031	300

Assets, Liabilities, and Net Assets or Equity

Cash and Investments

Deposits are carried at cost and consist of cash on hand, checking accounts, and investments in short-term investments, generally pooled investment funds. The carrying value of deposits, which includes certificates of deposit, is separately displayed on the balance sheet as "cash and investments".

For purposes of the Statement of Cash Flows, the propriety funds consider all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2004

NOTE A - Summary of Significant Accounting Policies (continued)Interfund Receivables and Payables

In general, outstanding balances between funds are reported as "due to/from other funds" on the balance sheet. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances".

Receivables

All trade and property tax receivables are considered fully collectible by the City. No provision has been made in the financial statements for noncollection.

Prepaid Items

Certain payments to vendors reflect costs applicable to future years and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

Certain donations have been placed in the Escrow Fund until the designated funds are spent. These amounts have been classified as restricted assets.

Capital Assets

Capital assets, which include land, land improvements, buildings, building improvements, vehicles, machinery, equipment and infrastructure are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Infrastructure assets are long-lived capital assets that normally can be preserved for a significantly greater number of year than most capital assets.

Capital assets that are being depreciated are reported net of accumulated depreciation in the statement of net assets. Capital assets that are not being depreciated, such as land, are reported separately.

Capital assets are depreciated over their estimated useful lives. Depreciation expense is reported in the statement of activities by allocating the net cost over the estimated useful life of the assets. Assets are depreciated on an individual basis for equipment and buildings.

Depreciation of all exhaustible fixed assets used by propriety fund types is charged as an expense against their operations. Accumulated depreciation is reported on proprietary fund type balance sheets. Depreciation has been provided over the estimated useful lives.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

	<u>Years</u>
Water System	34-61.2
Buildings and Improvements	25-50
Vehicles	5-10
Furniture and Equipment	5-20
Sewer System	20-50
Roads	20

Compensated Absences (Sick Leave)

Sick pay earned are recognized in the governmental financial statements when they are paid. The long-term portion of compensated absences related to governmental funds is a liability recorded in the Statement of Net Assets.

Long-Term Obligations

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the Debt Service Fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the Statement of Net Assets.

CITY OF SYLVAN LAKE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2004

NOTE A - Summary of Significant Accounting Policies (continued)

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance present tentative management plans that are subject to change.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

NOTE B - Accounting and Reporting Changes

GASB 34

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - For State and Local Governments*. The City of Sylvan Lake has applied the provisions of this statement in the accompanying financial statements (including the notes to financial statements). The City has elected to implement the general provisions of the statement in the current year. Certain significant changes in the statement include the following:

1. A management's discussion and analysis (MD&A) section providing an analysis of the City's overall financial position and results of operations.
2. Financial statements prepared using full accrual accounting for all of the City's activities.
3. A change in the fund financial statements to focus on the major funds.
4. Capital assets at July 1, 2003 previously reported in the General Fixed Assets Account Group have been adjusted by approximately \$2,918,000 to reflect the historical cost of the City's capital assets at that date. The remaining assets from the General Fixed Assets Account Group, approximately \$450,000, were written off in compliance with an adopted capitalization policy.
5. The governmental activities column includes bonds and other long-term obligations totaling approximately \$6,757,000 previously reported in the General Long-Term Debt Account Group.
6. According to GASB 34 it is necessary to review current fund types to new fund types. It was determined that the Water/Sewer Infrastructure Debt Retirement Fund, a debt service fund, and the Water/Sewer Infrastructure Capital Fund, a capital project fund, were to be included in the Sewer Service Fund and Water Revenue Fund. Net assets of the Sewer Service Fund at the beginning of the year were restated by approximately \$35,000 to include activity of these debt service and capital project funds. Net assets of the Water Revenue Fund at the beginning of the year were restated by approximately \$26,000. Significant adjustment were needed for adjustments to cash and investments, fixed assets and bonds payable.

Prior Year Adjustment

The Water Revenue Fund and Sewer Service Fund bills customers quarterly for water and sewer usage. The billing quarters do not coincide with the fiscal year of the City. In prior years, revenue has not been recognized for unbilled usage fees. Recording these fees at June 30, 2003 increased net assets by \$56,972 in the Water Revenue Fund and \$104,667.76 in the Sewer Service Fund. Change in net assets for the year ended June 30, 2004 decreased by \$3,064 in the Water Revenue Fund and \$975 in the Sewer Service Fund as result of this change.

CITY OF SYLVAN LAKE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2004

NOTE C - Expenditures Over Budget

Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General and Special Revenue Funds. All annual appropriations lapse at year end. The City's appropriation resolution is generally passed during the May preceding the year in which the planned expenditures relate. Subsequent amendments are made to avoid unfavorable variances from the original budget. Related resolutions are made to state the purpose and amount of the changes. The City Manager has the responsibility to enforce the budget. Unused appropriations do not carry forward to the next year.

The budget document presents information by fund, function, department and line items. The legal level (the level at which expenditures may not legally exceed appropriations) of budgetary control adopted by the board is at the department (activity) level.

The City Council must approve budget amendments at the activity level and supplemental appropriations, which affect total fund expenditures. The City Manager can transfer appropriations between line items within a department or activity without governing body approval.

Supplemental appropriations were necessary during the year, which increased total expenditures.

Amounts encumbered for purchase orders, contracts, etc., are not tracked during the year. Budget appropriations are considered to be spent once the goods are delivered or the services rendered.

P.A. 2 of 1968 as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated in budget resolutions of the governing body.

Excess of Expenditures Over Appropriations in Budgeted Funds

During the year, the City of Sylvan Lake incurred expenditures in certain budgeted funds which were significantly in excess of the amounts appropriated, as follows:

<u>Fund</u>	<u>Activity</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>	<u>Budget Variance</u>
General	Clerk-Treasurer	\$ 40,232	\$ 42,264	\$ 2,032
General	Police department	321,432	335,300	13,868
General	Community Center	14,019	17,304	3,285
General	Transfer out	5,000	12,170	7,170
Major Road	Construction		901,481	901,481*
Local Road	Construction		2,154,386	2,154,386*
Building Department	Benefits	5,342	9,570	4,228

*Construction expenditure budgeted in capital project fund.

NOTE D - Deposits and Investments

Michigan Compiled Laws, Section 129.91, authorizes the City to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The City is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The City has designated various banks for the deposit of City funds. The treasurer maintains a list of approved banks. The investment policy adopted by the Council in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government, bank accounts and CDs, repurchase agreements, investment pools organized under the local government investment pool act, commercial paper rated within the two highest classifications, and bankers' acceptance of United States banks, but not the remainder of State statutory authority as listed above.

The City's cash deposits are in accordance with statutory authority and the investment policy of the City. The balance sheet caption "cash" includes imprest cash of \$300, cash deposits and investments. At the end of the year, the carrying amount of the City's deposits were \$3,789,819 (reconciled), unreconciled bank balance was \$3,801,010, of the deposits \$700,000 were covered by federal depository insurance. Cash deposits are not collateralized.

CITY OF SYLVAN LAKE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2004

NOTE D - Deposits and Investments (continued)

During the period of tax collection (July-February), cash deposits held by the City may significantly exceed the amounts as of the balance sheet date.

At year-end, the City's deposits and investments were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Fiduciary Funds</u>	<u>Total Primary Government</u>
Cash and investments	\$ 2,037,750	\$ 1,696,023	\$ 49,630	\$ 3,783,403
Restricted Assets	<u>6,716</u>			<u>6,716</u>
Total	<u>\$ 2,044,466</u>	<u>\$ 1,696,023</u>	<u>\$ 49,630</u>	<u>\$ 3,790,119</u>

The breakdown between deposits and investments is as follows:

	<u>Primary Government</u>
Bank Deposits (checking and savings accounts, certificates of deposit)	\$ 2,442,133
Investments in Securities, Mutual Funds and Similar Vehicles	1,347,686
Petty Cash and Cash on Hand	<u>300</u>
Total	<u>\$ 3,790,119</u>

At year-end, the government's investment balances were categorized as follows:

Investment Not Subject to Categorization:	
MBIA Michigan Class Investment Pool	\$ 1,002,686
Bank Fund Investment Pools	<u>345,000</u>
Total Primary Government	<u>\$ 1,347,686</u>

The bank fund investment pools and MBIA Michigan Class Investing pool are not categorized because they are not evidenced by securities that are in physical or book entry form. The bank fund investment pools represent a pooling of investments held by the trust department of the bank, and are not subject to general creditors of the bank and therefore are not subject to federal depository insurance; all activity is regulated by the Michigan Banking Act. Investments under the interlocal agreement (MBIA-CLASS) are regulated by the Urban Cooperation Act. The fair value of the position in the bank investment pools and interlocal agreement pools is the same as the value of the pool shares. Management believes that the investments of the City comply with the investment authority as noted above, and the investment policy of the City.

Restrictions

Reflected on the balance sheet are restricted cash and investments detailed as follows:

<u>General Fund</u>	
Cash and cash equivalents:	
Deposits	<u>\$6,716</u>

The assets of the General Fund are restricted for various special projects.

CITY OF SYLVAN LAKE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2004

NOTE E - Capital Assets

Capital asset activity of the primary government for the current year was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 316,716	\$	\$	\$ 316,716
Construction in Progress	<u>562,517</u>		<u>562,517</u>	
Subtotal	<u>\$ 879,233</u>	<u>\$</u>	<u>\$ 562,517</u>	<u>\$ 316,716</u>
Capital Assets Being Depreciated:				
Roads	\$	\$3,618,383	\$	\$ 3,618,383
Buildings and improvements	353,682			353,682
Vehicles	289,003		42,254	246,749
Furniture and equipment	<u>127,055</u>	<u>40,132</u>		<u>167,187</u>
Subtotal	<u>\$ 769,740</u>	<u>\$3,658,515</u>	<u>\$ 42,254</u>	<u>\$ 4,386,001</u>
Less Accumulated Depreciation for:				
Roads	\$	\$ 15,077	\$	\$ 15,077
Buildings and improvements	181,463	10,146		191,609
Vehicles	157,035	34,284	42,254	149,065
Furniture and equipment	<u>84,244</u>	<u>9,973</u>		<u>94,217</u>
Subtotal	<u>\$ 422,742</u>	<u>\$ 69,480</u>	<u>\$ 42,254</u>	<u>\$ 449,968</u>
Net Capital Assets Being Depreciated	<u>\$ 346,998</u>	<u>\$3,589,035</u>	<u>\$</u>	<u>\$ 3,936,033</u>
Net Capital Assets	<u>\$ 1,226,231</u>	<u>\$3,589,035</u>	<u>\$ 562,517</u>	<u>\$ 4,252,749</u>
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Construction in progress	\$ 1,268,901	\$	\$1,268,901	\$
Capital Assets Being Depreciated:				
Improvements	11,047			11,047
Vehicle	15,449			15,449
Machinery and equipment	154,961			154,961
Sewer system	369,427	849,530		1,218,957
Water system	<u>601,831</u>	<u>632,553</u>		<u>1,234,384</u>
Subtotal	<u>\$ 1,152,715</u>	<u>\$1,482,083</u>	<u>\$</u>	<u>\$ 2,634,798</u>
Less Accumulated Depreciation for:				
Improvements	11,047			11,047
Vehicles	15,449			15,449
Machinery and equipment	56,667	15,497		72,164
Sewer system	148,071	18,007		166,078
Machinery and Equipment	<u>301,258</u>	<u>12,540</u>		<u>313,798</u>
Subtotal	<u>\$ 532,492</u>	<u>\$ 46,044</u>	<u>\$</u>	<u>\$ 578,536</u>
Net Capital Assets Being Depreciated	<u>\$ 620,223</u>	<u>\$1,436,039</u>	<u>\$</u>	<u>\$ 2,056,262</u>
Net Capital Assets	<u>\$ 1,889,124</u>	<u>\$1,436,039</u>	<u>\$1,268,901</u>	<u>\$ 2,056,262</u>

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SYLVAN LAKE, MICHIGAN

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2004

NOTE E - Capital Assets (continued)

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
General Government	\$ 3,242
Public Safety	17,310
Public Works	40,021
Recreation and Culture	7,054
Other	<u>1,853</u>
Total Governmental Activities	<u>\$69,480</u>
Business-Type Activities:	
Water	<u>\$46,044</u>

Construction Commitments

The government has active construction projects at year-end. The projects include a street and drainage project and a water and sewer infrastructure project. At year-end the government's commitments with contracts are as follows:

	<u>Spent to Date</u>	<u>Remaining Commitment</u>
Sewer and drainage	\$ 2,477,348	\$ 250,000
Water/sewer infrastructure	726,210	7,500

NOTE F - Interfund Receivables, Payables and Transfers

The following are the interfund receivables at June 30, 2004:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Total</u>
General Fund	Building Department Fund	\$ 1,803
	Rails to Trails Fund	164
	Street and Drainage Debt fund	2,500
	Street and Drainage Capital Project Fund	10,082
	Sewer Service Fund	5,844
	Water Revenue Fund	6,497
	Recreational Vehicle Storage Fund	4,038
	Fiduciary Fund	<u>7,131</u>
	Total General Fund	\$38,059
Special Revenue Funds:		
Major Street Fund	General Fund	3,876
	Local Road Fund	<u>367</u>
		\$ 4,243
Local Road Fund	General Fund	3,804
	General Fund	500
	General Fund	<u>100</u>
	Total Special Revenue Fund	\$ 8,647
Property Funds:		
Sewer Service Fund	Street and Drainage Capital Project Fund	2,921
	Water Revenue Fund	<u>811</u>
		\$ 3,732
Water Revenue Fund	Street and Drainage Capital Project Fund	<u>2,175</u>
	Total Proprietary Funds	<u>\$ 5,907</u>
	Total interfund receivable	<u>\$52,613</u>

These balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

CITY OF SYLVAN LAKE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2004

NOTE F - Interfund Receivables, Payables and Transfers (continued)

Interfund Transfers

Transfers In	Transfers (Out)			Total
	General Fund	Major Road Fund	Street and Drainage Capital Project Fund	
Major Road Fund	\$	\$	\$ 901,480	\$ 901,480
Local Road Fund		18,092	2,154,386	2,172,478
Building Department Fund	12,120			12,120
Rails to Trails Fund	50			50
	<u>\$12,170</u>	<u>\$ 18,092</u>	<u>\$ 3,055,866</u>	<u>\$3,086,128</u>

Transfers of unrestricted revenues collected in the General Fund and Major Road Fund in accordance with budgetary authorizations. Street and Drainage Capital Project Fund transfers funds for construction project in Road Funds.

NOTE G - Long-Term Debt

The following is a summary of general long-term debt of the City for the year ended June 30, 2004:

	General Obligation Bonds	Compensated Absences	Total
Balance at July 1, 2003	\$6,720,000	\$ 36,955	\$6,756,955
Decrease in obligation for compensated absences		(334)	(334)
Principal retirements	(115,000)		(115,000)
Balance at June 30, 2004	<u>\$6,605,000</u>	<u>\$ 36,621</u>	<u>\$6,641,621</u>

General Obligations Bonds:

In May 1995, the City of Sylvan Lake sold general obligation bonds in the amount of \$460,000.00 for the purposes of funding their portion of the construction of the Tri-City Fire Building. The bonds were issued with varying rates of interest and dates of maturity and are to be retired through an annual property tax levy. Schedule of required principal and interest payments is as follows:

Year ended June 30,	Interest Rate	Principal	Interest
2005	5.25	\$ 35,000	\$ 11,971
2006	5.35	35,000	10,116
2007	5.40	35,000	8,235
2008	5.40	40,000	6,210
2009	5.40	45,000	3,915
2010	5.40	50,000	1,350
		<u>\$ 240,000</u>	<u>\$ 41,797</u>

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2004

NOTE G - Long-Term Debt (continued)

During August 2001, the City of Sylvan Lake sold general obligation bonds in the amount of \$2,250,000 for the purposes of funding water and sewer infrastructure improvements. The bonds were issued with various rates of interest and dates of maturity and are to be retired through an annual property tax levy. Schedule of required principal and interest payments is as follows:

Year ended June 30,	Interest Rate	Principal	Interest
2005	4.200	\$ 70,000	\$ 96,138
2006	4.200	80,000	92,987
2007	4.200	85,000	89,522
2008	4.200	85,000	85,953
2009	4.300	85,000	82,340
2010	4.375	90,000	78,544
2011	4.400	115,000	74,045
2012	4.500	120,000	68,815
2013	4.500	125,000	63,303
2014	4.500	135,000	57,452
2015	4.600	140,000	51,195
2016	4.750	150,000	44,412
2017	4.750	155,000	37,169
2018	4.750	165,000	29,569
2019	4.750	170,000	21,612
2020	4.750	180,000	13,300
2021	4.750	190,000	4,512
		<u>\$2,140,000</u>	<u>\$ 990,868</u>

During February 2003, the City of Sylvan Lake sold general obligation bonds in the amount of \$4,250,000 for the purposes of funding street and drainage improvements. The bonds were issued with various rates of interest and dates of maturity and are to be retired through an annual property tax levy. Schedule of required principal and interest payment is as follows:

Year ended June 30,	Interest Rate	Principal	Interest
2005	2.30	\$ 95,000	\$ 153,778
2006	2.30	110,000	151,420
2007	2.30	130,000	148,660
2008	2.50	140,000	145,415
2009	2.80	150,000	141,565
2010	3.20	155,000	136,985
2011	3.30	195,000	131,287
2012	3.45	205,000	124,534
2013	3.45	215,000	117,289
2014	3.55	225,000	109,586
2015	3.65	235,000	101,304
2016	3.80	245,000	92,360
2017	3.90	260,000	82,635
2018	4.00	270,000	72,165
2019	4.05	290,000	60,892
2020	4.10	305,000	48,768
2021	4.20	320,000	35,795
2022	4.25	330,000	22,062
2023	4.30	350,000	7,525
		<u>\$4,225,000</u>	<u>\$1,884,025</u>

CITY OF SYLVAN LAKE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2004

NOTE G - Long-Term Debt (continued)

Summary of Long-Term Debt Requirements:

The amounts necessary to amortize the debt described above for years subsequent to June 30, 2004 (excluding compensated absences) are as follows:

Year ending June 30,	General Long-Term Debt		Enterprise Funds	
	Principal	Interest	Principal	Interest
2005	\$ 130,000	\$ 165,749	\$ 70,000	\$ 96,138
2006	145,000	161,536	80,000	92,987
2007	165,000	156,895	85,000	89,522
2008	180,000	151,625	85,000	85,953
2009	195,000	145,480	85,000	82,340
2010-2014	1,045,000	621,031	585,000	342,159
2015-2019	1,300,000	409,356	780,000	183,957
2020-2023	1,305,000	114,150	370,000	17,812
	<u>\$4,465,000</u>	<u>\$1,925,822</u>	<u>\$2,140,000</u>	<u>\$ 990,868</u>

NOTE H - Restricted Assets

The balances of the restricted asset accounts are as follows:

General Fund:	
Police training	\$ 938
Park equipment	3,230
Community promotion	<u>2,548</u>
	<u>\$6,716</u>

NOTE I - Defined Contribution Plan

The City participates in an agent multiple-employer defined benefit pension plan with the Municipal Employees' Retirement System (MERS). The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, nonduty-connected death and postretirement adjustments to plan members and their beneficiaries. The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2003.

MERS was organized pursuant to Section 12a of Act #156, Public Acts of 1851 (MSA 5.333(a); MCLA 46.12(a)), as amended, State of Michigan. MERS is regulated under Act No. 427 of the Public Acts of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to MERS at: 447 North Canal Street, Lansing, Michigan 48917.

The obligation to contribute to and maintain the system for these employees was established by negotiation with the City's competitive bargaining unit and personnel policy, which requires employees to contribute to the plan. Each member contributes the following percentage of his/her annual compensation: General - Non-union - 5 percent; Police - 3 percent of the first \$4,200 and 5 percent the remaining. The City is required to contribute at an actuarially determined rate; the current rate was 3.04 percent for General - Non-union and 0.00 percent for Police.

For the fiscal year ended June 30, 2004, the City's annual pension cost of \$22,889 for the plan was equal to the City's required contribution of \$8,619 and elected contribution of \$14,270 for non-union member contribution. The annual required contribution was determined by an actuarial valuation of the plan as of December 31, 2001. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required to amortize the unfunded actuarial accrued liability over 30 years for positive unfunded liabilities and 10 years for negative unfunded liabilities. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8 percent and annual salary increases of 4.5 percent based on an age-related scale to reflect merit, longevity, and promotional salary increases.

CITY OF SYLVAN LAKE, MICHIGAN
NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2004

NOTE I - Defined Benefit Plan (continued)

Three Year Trend Information for GASB Statement No. 27

<u>Fiscal Period Ended</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2002	\$ 20	100%	\$ -0-
June 30, 2003	3,975	100%	-0-
June 30, 2004	8,619	100%	-0-

Required Supplementary Information for GASB Statement No. 27:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>(Overfunded) Unfunded AAL (UAAL)</u>	<u>Funded Ratio (a/b)</u>	<u>Covered Payroll (c)</u>	<u>UAAL as a Percentage of Covered Payroll (b-a)/(c)</u>
<u>December 31,</u>	<u>(a)</u>	<u>(b)</u>	<u>(b-a)</u>			<u>(b-a)/(c)</u>
2001	\$ 1,381,580	\$ 1,366,436	\$ (15,144)	101.1%	\$445,601	(3.4%)
2002	1,380,407	1,444,899	64,492	98.5%	470,856	13.7%
2003	1,429,400	1,534,392	104,992	93.2%	444,535	23.6%

NOTE J - Postemployment Benefits

In addition to providing pension benefits, the City has elected to provide postemployment health benefits to retirees of the City who retire at age 50 or older with a minimum of 25 years of service, or age 55 or older with a minimum of 15 years of service. The City pays the full cost of coverage for these benefits from the date of retirement until age 65, or they become eligible for Medicare-Medicaid whichever comes first; at that time, the employer shall provide a plan that supplements Medicare-Medicaid. Also, retirees can purchase coverage for their dependents at the City's group rates. Currently, seven retirees are eligible for postemployment health benefits. During the fiscal year ended June 30, 2004, the City made payments for postemployment health benefit premiums of \$61,343. The City obtains health care coverage through private insurers. The City's cost of retiree health care benefits is recognized as an expense in the year the premium is paid.

The Governmental Accounting Standards Board has recently released Statement Number 45, *Accounting and Reporting by Employers for Postemployment Benefits Other Than Pensions*. The new pronouncement provides guidance for local units of government in recognizing the cost of retiree health care, as well as any "other" postemployment benefits (other than pensions). The new rules will cause the government-wide financial statements to recognize the cost of providing retiree health care coverage over the working life of the employee, rather than at the time the health care premiums are paid. The new pronouncement is effective for the year ending June 30, 2007.

NOTE K - Joint Ventures and Related Organization

The City has an agreement with the Tri-City Fire Department for fire protection. The Tri-City Fire Department services the City of Sylvan Lake, the City of Keego Harbor and the City of Orchard Lake Village. The governing body of the Tri-City Fire Department is made up of two members from each city. The fire protection agreement is an annual agreement and can be renewed by the governing bodies of each upon not less than six months notice. Each city is obligated to pay to the Tri-City Fire Department an amount equal to one-third of the total approved annual budget of the Tri-City Fire Department. As of June 30, 2004 the Tri-City Fire Department has a fund surplus. Financial statements of the Tri-City Fire Department are available for review at the fire hall. As included in the General Fund statement of expenditures, during the year ended June 30, 2004 \$159,149 was paid for fire protection to the Tri-City Fire Department.

The City participates in an annual programming grant that Comcast Cable provides. The grant money is paid to West Bloomfield/Tri-Cities Cable Joint Venture Fund, which is under the joint ownership of four communities - the Cities of Orchard Lake Village, Keego Harbor, Sylvan Lake and the Township of West Bloomfield. The money in this fund must be used for the support of community cable programming. The fund is administered by the West Bloomfield Township accounting department. No part of this money is reflected in these financial statements.

Pursuant to agreements with the City of Pontiac and West Bloomfield Township, the City is provided with sewer service. The agreements call for the City to lease sewer capacity from the two municipalities. Funds for operation of the system are provided by initial tap-in fees and sewer disposal service charges to customers.

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

June 30, 2004

NOTE L - Risk Management

The City is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The City has purchased commercial insurance for storage tank and health care. The City participates in the Michigan Municipal Risk Management Authority for general, auto, professional, public official, employee dishonesty and errors and omissions liabilities. The City also participates in the Michigan Municipal Workers Compensation Fund for workers compensation. The City is uninsured for acts of god and environmental cleanup losses. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority risk pool program operates as a claims-servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that will be used to pay claims up to the retention limits, the ultimate liability for those claims remains with the City.

The Michigan Municipal League Worker's Compensation Fund risk pool program operates as a common risk-sharing management program for local units of government in Michigan; member premiums are used to purchase commercial excess insurance coverage and to pay member claims in excess of deductible amounts.

NOTE M - Litigation and Contingent Liabilities

The City receives property taxes levied against real and personal property located in the City pursuant to the General Property Tax Laws of the State of Michigan. A number of entities owning property within the City have appealed their assessments to the Michigan Tax Tribunal. A reduction by the Tax Tribunal of any such assessments would result in a liability to the City to refund some taxes which have been collected. Management believes this liability could be approximately \$25,000, which has not been recorded in the financial statements.

REQUIRED SUPPLEMENTAL INFORMATION

CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND

For the Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Tax collections:				
Current taxes	\$ 616,002	\$ 616,002	\$ 611,954	\$ (4,048)
Delinquent taxes	1,000	1,000	(2,274)	(3,274)
Administration fee	34,270	34,270	29,497	(4,773)
Interest and penalty	18,500	18,500	11,299	(7,201)
	<u>\$ 669,772</u>	<u>\$ 669,772</u>	<u>\$ 650,476</u>	<u>\$ (19,296)</u>
Licenses and permits	5,890	5,890	10,748	4,858
Federal sources - Community development block grant. . .	10,000	10,000	305	(9,695)
State sources:				
Sales tax	163,800	163,800	151,098	(12,702)
Liquor licenses	1,750	1,750	1,973	223
Law enforcement	600	600	2,177	1,577
Other			659	659
	<u>\$ 166,150</u>	<u>\$ 166,150</u>	<u>\$ 155,908</u>	<u>\$ (10,242)</u>
Charges for services:				
Charges for services - sales	600	600	708	108
Charges for services - fees	43,350	43,350	52,431	9,081
Charges for services - other funds:				
Sewer Service Fund	17,500	17,500	17,468	(32)
Major Road Fund	8,100	8,100	6,465	(1,635)
Local Road Fund	6,500	6,500	6,423	(77)
Garbage and Rubbish Collection Fund	7,000	7,000	10,523	3,523
Water Revenue Fund	21,500	21,500	21,537	37
Recreational Vehicle Storage Fund	7,290	7,290	7,290	
Street and Drainage Capital Project Fund		27,000	36,742	9,742
Water/Sewer Infrastructure Capital Project Fund		16,500	21,870	5,370
	<u>\$ 111,840</u>	<u>\$ 155,340</u>	<u>\$ 181,457</u>	<u>\$ 26,117</u>
Fines and forfeitures	10,000	10,000	9,983	(17)
Interest earnings	22,000	22,000	6,256	(15,744)
Other revenue:				
Cable TV	18,000	18,000	20,787	2,787
Leases	21,349	21,349	19,341	(2,008)
Miscellaneous	29,400	29,400	77,163	47,763
	<u>\$ 68,749</u>	<u>\$ 68,749</u>	<u>\$ 117,291</u>	<u>\$ 48,542</u>
Total revenues	<u>\$ 1,064,401</u>	<u>\$ 1,107,901</u>	<u>\$ 1,132,425</u>	<u>\$ 24,524</u>

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)

For the Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
General Government:				
Legislative:				
City council:				
Salaries	\$ 500	\$ 500	\$ 317	\$ 183
Membership and dues	2,500	2,500	2,673	(173)
Miscellaneous	500	500	48	453
	\$ 3,500	\$ 3,500	\$ 3,037	\$ 463
City Manager:				
Salary	15,800	15,800	16,173	(373)
Conferences and workshops	1,500	1,500	609	891
Membership and dues	1,200	1,200	641	559
	\$ 18,500	\$ 18,500	\$ 17,423	\$ 1,077
Elections:				
Salaries	450	450	331	119
Office supplies	200	200	145	55
Equipment	300	450	888	(438)
Printing and publishing	750	750	468	282
Miscellaneous	150	150	105	45
	\$ 1,850	\$ 2,000	\$ 1,937	\$ 63
Assessor - contracted services	17,130	17,130	15,473	1,657
Attorney	18,500	18,500	16,677	1,823
Audit expense	3,240	3,240	3,240	
Board of Review:				
Salaries	450	450	400	50
Miscellaneous	100	100	85	15
	\$ 550	\$ 550	\$ 485	\$ 65
Clerk-Treasurer:				
Salary	36,182	36,182	38,246	(2,064)
Temporary and overtime help	800	800	552	248
Conferences and workshops	1,100	1,750	1,739	11
Membership and dues	500	500	328	172
Codification	1,000	1,000	1,399	(399)
	\$ 39,582	\$ 40,232	\$ 42,264	\$ (2,032)
City Hall and grounds:				
Salary	24,209	24,209	24,177	32
Temporary and overtime help	300	300		300
Office supplies and postage	9,200	9,200	7,257	1,943
Tax roll and statement preparation	4,500	4,500	3,323	1,177
Printing and publishing	1,500	1,500	1,684	(184)
Maintenance	5,180	5,180	4,342	838
Telephone	9,000	9,000	6,215	2,785
Utilities	5,000	5,000	3,487	1,513
Repairs	1,500	1,500	1,269	231
Miscellaneous	1,000	1,000	636	364
	\$ 61,389	\$ 61,389	\$ 52,391	\$ 8,998

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)

For the Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Other general services administration activities:				
Office expense:				
Supplies	3,000	3,000	1,385	1,615
Equipment repairs and rental	6,500	6,500	4,024	2,476
Contractual services	7,200	7,200	3,318	3,882
Repairs	1,500	1,500	1,063	437
	<u>\$ 18,200</u>	<u>\$ 18,200</u>	<u>\$ 9,791</u>	<u>\$ 8,409</u>
Total general government	\$ 182,441	\$ 183,241	\$ 162,717	\$ 20,524
Public safety:				
Police department:				
Salaries:				
Chief of Police	57,720	57,720	60,000	(2,280)
Employees	167,212	167,212	171,857	(4,645)
Temporary and overtime help	37,500	37,500	28,348	9,152
Gas and Oil	5,000	5,000	5,981	(981)
Uniforms	5,250	5,250	3,670	1,580
Municipal garage rental	1,250	1,250	1,250	
Training	1,200	1,200	1,819	(619)
Radio maintenance and dispatch	29,800	29,800	37,169	(7,369)
Vehicle maintenance	4,000	4,000	6,201	(2,201)
Conferences, workshops and memberships	200	200	238	(38)
Miscellaneous supplies	9,100	9,100	14,991	(5,891)
Contractual services	3,200	3,200	3,776	(576)
	<u>\$ 321,432</u>	<u>\$ 321,432</u>	<u>\$ 335,300</u>	<u>\$ (13,868)</u>
Fire protection:				
Contractual services	159,000	159,000	159,149	(149)
Dispatch agreement	12,000	12,000	12,000	
	<u>\$ 171,000</u>	<u>\$ 171,000</u>	<u>\$ 171,149</u>	<u>\$ (149)</u>
Animal shelter	1,000	1,000	823	178
Total public safety	\$ 493,432	\$ 493,432	\$ 507,272	\$ (13,840)
Public works:				
Salaries	11,703	55,203	55,455	(252)
Gas and oil	3,500	3,500	5,427	(1,927)
Repair and maintenance supplies	4,500	4,500	2,927	1,573
Vehicle maintenance	5,000	5,000	1,337	3,663
Radio maintenance	975	975	712	263
Municipal garage rental	1,250	1,250	1,250	
Miscellaneous	1,500	1,500	848	652
	<u>\$ 28,428</u>	<u>\$ 71,928</u>	<u>\$ 67,955</u>	<u>\$ 3,973</u>
Street lighting	18,000	18,000	15,065	2,935
Total public works	\$ 46,428	\$ 89,928	\$ 83,020	\$ 6,908

CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)

For the Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Community and economic development:				
Planning commission:				
Secretary.	300	300	171	129
Contractual services	4,000	4,000	5,281	(1,281)
Membership and dues.	600	600	550	50
Printing and publishing.	250	250	72	178
Miscellaneous.	200	200	(51)	251
	\$ 5,350	\$ 5,350	\$ 6,024	\$ (674)
Other:				
CDBG Expenditures.	10,000	10,000	1,368	8,632
Cable TV fees.	1,200	1,200	635	565
Printing and publishing.	2,200	2,200	4,359	(2,159)
Postage.	2,600	2,600	1,823	777
50th Anniversary			3,623	(3,623)
Beautification	250	250		250
Memorial Day Parade.	500	500	471	29
Fireworks and miscellaneous.	750	750	750	
	\$ 17,500	\$ 17,500	\$ 13,029	\$ 4,471
Total community and economic development	\$ 22,850	\$ 22,850	\$ 19,053	\$ 3,797
Recreation and culture:				
Parks and recreation:				
Salaries	11,571	11,571	11,567	4
Operating supplies and maintenance	9,000	9,000	5,361	3,639
Taxes.	7,200	7,200	6,948	252
Contractual services	15,000	15,000	12,923	2,077
Utilities.	2,000	2,000	1,887	113
Summer program	1,700	1,700	1,701	(1)
Lake control	10,000	10,000	6,830	3,170
Miscellaneous.			9,992	(9,992)
	\$ 56,471	\$ 56,471	\$ 57,209	\$ (738)
Community Center:				
Salaries	6,469	6,319	6,028	291
Maintenance and repair	4,200	4,200	1,685	2,515
Utilities.	2,500	2,500	2,827	(327)
Miscellaneous.	1,000	1,000	6,764	(5,764)
	\$ 14,169	\$ 14,019	\$ 17,304	\$ (3,285)
Total culture and recreation	\$ 70,640	\$ 70,490	\$ 74,514	\$ (4,024)
Other:				
Insurance - General liability.	30,000	30,000	20,859	9,141
Employee benefits:				
Retirement contribution (Note 1)			22,889	(22,889)
Hospitalization.	143,608	143,608	102,480	41,128
Life insurance			4,606	(4,606)
Other benefits	6,160	6,160	14,289	(8,129)
Current employee benefits.	\$ 149,768	\$ 149,768	\$ 144,264	\$ 5,504

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND (Continued)

For the Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Retirees' benefits	60,000	60,000	61,343	(1,343)
Workmen's compensation	10,000	10,000	6,109	3,891
	<u>\$ 219,768</u>	<u>\$ 219,768</u>	<u>\$ 211,716</u>	<u>\$ 8,052</u>
Total other.	\$ 249,768	\$ 249,768	\$ 232,575	\$ 17,193
Capital outlay - equipment	41,500	41,500	40,132	1,368
Total expenditures	<u>\$ 1,107,059</u>	<u>\$ 1,151,209</u>	<u>\$ 1,119,283</u>	<u>\$ 31,926</u>
Excess revenues over (under) expenditures. . .	\$ (42,658)	\$ (43,308)	\$ 13,142	\$ 56,450
Other financing uses:				
Operating transfers out.		5,000	12,170	(7,170)
Excess of revenues and other sources over (under) expenditures and other uses.	\$ (42,658)	\$ (48,308)	\$ 972	\$ 49,280
Fund balance - July 1, 2003.	566,839	566,839	566,839	
Fund balance - June 30, 2004	<u>\$ 524,181</u>	<u>\$ 518,531</u>	<u>\$ 567,811</u>	<u>\$ 49,280</u>

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
MAJOR ROAD FUND

For the Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
State-shared revenues	\$ 72,369	\$ 72,369	\$ 78,491	\$ 6,122
Interest earnings	2,000	2,000	1,422	(578)
Total revenues	\$ 74,369	\$ 74,369	\$ 79,913	\$ 5,544
Expenditures:				
Operating expenses:				
Salaries	20,859	20,859	15,209	5,650
Overtime	500	500	1,288	(788)
Benefits	500	500		500
Conferences and workshops	9,738	9,738	5,350	4,388
	\$ 31,597	\$ 31,597	\$ 21,848	\$ 9,749
Maintenance:				
Supplies	1,000	1,000	1,265	(265)
Contractual services	2,500	2,500	3,398	(898)
Rental	4,000	4,000	2,828	1,172
	\$ 7,500	\$ 7,500	\$ 7,491	\$ 9
Traffic service maintenance:				
Supplies	500	500	90	410
Contractual services	3,500	3,500	3,372	128
Rental	100	100		100
	\$ 4,100	\$ 4,100	\$ 3,462	\$ 638
Winter maintenance:				
Supplies	4,000	4,000	1,985	2,015
Rental	4,000	4,000	3,637	363
	\$ 8,000	\$ 8,000	\$ 5,623	\$ 2,377
Administration:				
Equipment	500	500		500
Audit	950	950	1,570	(620)
	\$ 1,450	\$ 1,450	\$ 1,570	\$ (120)
Construction			901,481	(901,481)
Total expenditures	\$ 52,647	\$ 52,647	\$ 941,474	\$ (888,827)
Excess of revenues over (under) expenditures	\$ 21,722	\$ 21,722	\$ (861,561)	\$ (883,283)
Other financing sources (uses):				
Transfer from Capital Project Fund			901,481	901,481
Transfer to Local Road Fund	(18,092)	(18,092)	(18,092)	
Total other sources (uses)	(18,092)	(18,092)	883,389	901,481
Excess of revenues and other sources over expenditures and other uses	\$ 3,630	\$ 3,630	\$ 21,828	\$ 18,198
Fund balance - July 1, 2003	123,742	123,742	123,742	
Fund balance - June 30, 2004	\$ 127,372	\$ 127,372	\$ 145,570	\$ 18,198

CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
LOCAL ROAD FUND

For the Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
State-shared revenues	\$ 30,734	\$ 30,734	\$ 33,464	\$ 2,730
County maintenance agreement.	950	950	1,031	81
Interest earnings	2,000	2,000	731	(1,269)
Total revenues.	\$ 33,684	\$ 33,684	\$ 35,227	\$ 1,543
Expenditures:				
Operating expenses:				
Salaries.	20,859	20,859	17,262	3,597
Overtime.	1,000	1,000	1,404	(404)
Benefits.	9,738	9,738	6,053	3,685
Conferences and workshops	500	500		500
	\$ 32,097	\$ 32,097	\$ 24,719	\$ 7,378
Maintenance:				
Supplies.	1,500	1,500		1,500
Contractual services.	2,000	2,000	900	1,100
Rental.	3,000	3,000	2,959	41
	\$ 6,500	\$ 6,500	\$ 3,859	\$ 2,641
Traffic service maintenance:				
Supplies.	400	400		400
Contractual services.	200	200		200
	\$ 600	\$ 600	\$	\$ 600
Winter maintenance:				
Supplies.	2,500	2,500	1,293	1,207
Rental.	3,500	3,500	3,464	36
	\$ 6,000	\$ 6,000	\$ 4,757	\$ 1,243
Administration:				
Equipment	600	600		600
Audit	610	610	1,090	(480)
	\$ 1,210	\$ 1,210	\$ 1,090	\$ 120
Construction.			2,154,386	(2,154,386)
Total expenditures.	\$ 46,407	\$ 46,407	\$ 2,188,811	\$ (2,142,404)
Excess of revenues over (under) expenditures.	\$ (12,723)	\$ (12,723)	\$ (2,153,585)	\$ (2,140,862)
Other financing sources:				
Transfer from Capital Project Fund.			2,154,386	2,154,386
Transfer from Major Road Fund	18,092	18,092	18,092	
Total other financing sources	18,092	18,092	2,172,478	2,154,386
Excess of revenues and other sources over expenditures and other uses	\$ 5,369	\$ 5,369	\$ 18,893	\$ 13,524
Fund balance - July 1, 2003	64,040	64,040	64,040	
Fund balance - June 30, 2004.	\$ 69,409	\$ 69,409	\$ 82,933	\$ 13,524

CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
GARBAGE AND RUBBISH FUND

For the Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
Taxes	\$ 183,739	\$ 183,739	\$ 183,344	\$ (395)
State sources			904	904
Interest earnings	4,500	4,500	2,304	(2,196)
Total revenues	\$ 188,239	\$ 188,239	\$ 186,553	\$ (1,686)
Expenditures:				
Current:				
Salaries and benefits	11,161	11,161	13,385	(2,224)
Contractual services	123,900	123,900	123,898	2
Audit expense	1,080	1,080	1,070	10
Municipal garage rental	850	850	850	
Equipment rental	3,000	3,000	1,490	1,510
Repairs and maintenance	1,850	1,850	1,514	336
Leaf disposal program	50,000	50,000	49,650	350
Miscellaneous	1,700	1,700	1,065	635
Total expenditures	\$ 193,541	\$ 193,541	\$ 192,923	\$ 618
Excess of revenues over (under) expenditures	\$ (5,302)	\$ (5,302)	\$ (6,370)	\$ (1,068)
Fund balance - July 1, 2003	164,294	164,294	164,294	
Fund balance - June 30, 2004	\$ 158,992	\$ 158,992	\$ 157,924	\$ (1,068)

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CITY OF SYLVAN LAKE, MICHIGAN
BUDGETARY COMPARISON SCHEDULE
STREET AND DRAINAGE DEBT SERVICE FUND

For the Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
Taxes	\$ 191,465	\$ 191,465	\$ 191,052	\$ (413)
Interest earnings	15,000	15,000	259	(14,741)
Total revenues	\$ 206,465	\$ 206,465	\$ 191,312	\$ (15,153)
Expenditures:				
Audit fees	100	100		100
Debt Service:				
Principal	25,000	25,000	25,000	
Interest	181,065	181,065	181,065	
Paying agent fees	300	300		300
Total expenditures	\$ 206,465	\$ 206,465	\$ 206,065	\$ 400
Excess of revenues over (under) expenditures	\$	\$	\$ (14,753)	\$ (14,753)
Fund balance - July 1, 2003	17,374	17,374	17,374	
Fund balance - June 30, 2004	\$ 17,374	\$ 17,374	\$ 2,620	\$ (14,753)

JANZ & KNIGHT, P.L.C., CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SYLVAN LAKE, MICHIGAN
BUDGETARY COMPARISON SCHEDULE
STREET AND DRAINAGE CAPITAL PROJECT FUND

For the Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues - interest earnings	\$ 35,000	\$ 35,000	\$ 19,784	\$ (15,216)
Other financing uses:				
Transfer to Road Funds	4,025,200	4,025,200	3,055,866	969,334
Excess of revenues (under) other uses.	\$ (3,990,200)	\$ (3,990,200)	\$ (3,036,082)	\$ 954,118
Fund balance - July 1, 2003.	3,660,431	3,660,431	3,660,431	
Fund balance - June 30, 2004	<u>\$ (329,769)</u>	<u>\$ (329,769)</u>	<u>\$ 624,349</u>	<u>\$ 954,118</u>

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

OTHER SUPPLEMENTAL INFORMATION

CITY OF SYLVAN LAKE, MICHIGAN

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS

June 30, 2004

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Non-Major Governmental Funds
ASSETS				
Cash and investments.	\$ 18,587	\$ 16,213	\$ 81,591	\$ 116,391
Receivables:				
Interest.		7		7
Other	60			60
Due from other funds.	99			99
Total assets.	<u>\$ 18,746</u>	<u>\$ 16,220</u>	<u>\$ 81,591</u>	<u>\$ 116,557</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accrued wages payable	\$ 490	\$	\$	\$ 490
Due to other funds.	1,967			1,967
Due to other governments.	36			36
Total liabilities	\$ 2,493	\$	\$	\$ 2,493
Fund balances:				
Unreserved.	16,253	16,220	81,591	114,064
Total liabilities and fund balances	<u>\$ 18,746</u>	<u>\$ 16,220</u>	<u>\$ 81,591</u>	<u>\$ 116,557</u>

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SYLVAN LAKE, MICHIGAN

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
SPECIAL REVENUE FUNDS

June 30, 2004

	Building Department Fund	Library Fund	Rails to Trails Fund	Lake Level/ Drains Fund	Combined Total
ASSETS					
Cash and investments.	\$ 2,295	\$ 294	\$ 166	\$ 15,831	\$ 18,587
Receivables - other	60				60
Due from other funds.		99			99
Total assets.	<u>\$ 2,355</u>	<u>\$ 393</u>	<u>\$ 166</u>	<u>\$ 15,831</u>	<u>\$ 18,746</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accrued wages payable	\$ 490	\$	\$	\$	\$ 490
Due to other funds.	1,803		164		1,967
Due to other governments.		36			36
Total liabilities	\$ 2,293	\$ 36	\$ 164	\$	\$ 2,493
Fund balance.	62	358	2	15,831	16,253
Total liabilities and fund balance.	<u>\$ 2,355</u>	<u>\$ 393</u>	<u>\$ 166</u>	<u>\$ 15,831</u>	<u>\$ 18,746</u>

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SYLVAN LAKE, MICHIGAN

COMBINING BALANCE SHEET
 NON-MAJOR GOVERNMENTAL FUNDS
 DEBT SERVICE FUNDS
 June 30, 2004

	Water Supply System Bonds Debt Retirement Fund	Fire Stations Bond Fund	Combined Totals
ASSETS			
Cash and investments	\$ 3,302	\$ 12,912	\$ 16,213
Receivables - interest	1	6	7
Total assets	<u>\$ 3,303</u>	<u>\$ 12,917</u>	<u>\$ 16,220</u>
LIABILITIES AND FUND BALANCE			
Fund balance	\$ 3,303	\$ 12,917	\$ 16,220
Total liabilities and fund balance	<u>\$ 3,303</u>	<u>\$ 12,917</u>	<u>\$ 16,220</u>

CITY OF SYLVAN LAKE, MICHIGAN

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
CAPITAL PROJECT FUNDS
June 30, 2004

	Water Improvement Construction Fund	Combined Total
ASSETS		
Cash and investments	\$ 81,591	\$ 81,591
LIABILITIES AND FUND BALANCE		
Fund balance	\$ 81,591	\$ 81,591

JANZ & KNIGHT, P.L.C. · CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SYLVAN LAKE, MICHIGAN

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
NON-MAJOR GOVERNMENTAL FUNDS

For the Year Ended June 30, 2004

	Special Revenue Funds	Debt Service Funds	Capital Project Funds	Total Non-Major Governmental Funds
Revenues:				
Taxes	\$ 20,197	\$ 43,973	\$	\$ 64,170
Licenses and permits.	28,807			28,807
State source.	99			99
Interest earnings	458	108	574	1,140
Total revenues.	\$ 49,561	\$ 44,081	\$ 574	\$ 94,216
Expenditures:				
Current:				
General government.		175		175
Public safety - Building inspection	40,883			40,883
Public works - Drains	1,988			1,988
Recreation and culture.	20,348			20,348
Debt service:				
Principal		30,000		30,000
Interest and finance charges.		14,070		14,070
Total expenditures.	\$ 63,219	\$ 44,245	\$	\$ 107,464
Excess of revenues over (under) expenditures.	\$ (13,658)	\$ (164)	\$ 574	\$ (13,248)
Other financing sources:				
Operating transfers in.	12,170			12,170
Excess of revenues and other sources over (under) expenditures.	\$ (1,488)	\$ (164)	\$ 574	\$ (1,078)
Fund balance - July 1, 2003	17,741	16,385	81,017	115,142
Fund balance - June 30, 2004.	\$ 16,253	\$ 16,220	\$ 81,591	\$ 114,064

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SYLVAN LAKE, MICHIGAN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 SPECIAL REVENUE FUNDS

For the Year Ended June 30, 2004

	Building Department Fund	Library Fund	Rails to Trails Fund	Lake Level/ Drains Fund	Total
Revenues:					
Taxes	\$	\$ 19,949	\$	\$ 248	\$ 20,197
Licenses and permits.	28,807				28,807
State source.		99			99
Interest earnings		19	252	186	458
Total revenues.	\$ 28,807	\$ 20,067	\$ 252	\$ 435	\$ 49,561
Expenditures:					
Current:					
Public safety - Building inspection	40,883				40,883
Public works - Drains				1,988	1,988
Recreation and culture.		20,048	300		20,348
Total expenditures.	\$ 40,883	\$ 20,048	\$ 300	\$ 1,988	\$ 63,219
Excess of revenues over (under) expenditures.	\$ (12,076)	\$ 19	\$ (48)	\$ (1,553)	\$ (13,658)
Other financing sources:					
Operating transfers in.	12,120		50		12,170
Excess of revenues and other sources over (under) expenditures	\$ 44	\$ 19	\$ 2	\$ (1,553)	\$ (1,488)
Fund balance - July 1, 2003	18	339		17,384	17,741
Fund balance - June 30, 2004.	\$ 62	\$ 358	\$ 2	\$ 15,831	\$ 16,253

JANZ & KNIGHT, P.L.C. - CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SYLVAN LAKE, MICHIGAN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 DEBT SERVICE FUNDS

For the Year Ended June 30, 2004

	Water Supply System Bonds Debt Retirement Fund	Fire Stations Bond Fund	Combined Totals
Revenues:			
Taxes	\$	\$ 43,973	\$ 43,973
Interest earnings	18	90	108
Total revenues	\$ 18	\$ 44,062	\$ 44,081
Expenditures:			
Audit fees		175	175
Debt service:			
Principal		30,000	30,000
Interest and finance charges		14,070	14,070
Total expenditures	\$	\$ 44,245	\$ 44,245
Excess of revenues over (under) expenditures	\$ 18	\$ (183)	\$ (164)
Fund balance - July 1, 2003	3,285	13,100	16,385
Fund balance - June 30, 2004	\$ 3,303	\$ 12,917	\$ 16,220

JANZ & KNIGHT, P.L.C., CERTIFIED PUBLIC ACCOUNTANTS

CITY OF SYLVAN LAKE, MICHIGAN
 COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 NON-MAJOR GOVERNMENTAL FUNDS
 CAPITAL PROJECT FUNDS

For the Year Ended June 30, 2004

	Water Improvement Construction Fund	Combined Totals
Revenues - interest earnings	\$ 574	\$ 574
Excess of revenues and other sources over (under) expenditures.	\$ 574	\$ 574
Fund balance - July 1, 2003.	81,017	81,017
Fund balance - June 30, 2004	<u>\$ 81,591</u>	<u>\$ 81,591</u>

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CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
BUILDING DEPARTMENT FUND

For the Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
Licenses and permits.	\$ 39,500	\$ 39,500	\$ 28,807	\$ (10,693)
Interest earnings	100	100		(100)
Total revenues.	\$ 39,600	\$ 39,600	\$ 28,807	\$ (10,793)
Expenditures:				
Current:				
Salaries.	31,163	31,163	30,268	895
Benefits.	5,342	5,342	9,570	(4,228)
Supplies and miscellaneous.	3,315	3,315	1,045	2,270
Total expenditures.	\$ 39,820	\$ 39,820	\$ 40,883	\$ (1,063)
Excess of revenues over (under) expenditures.	\$ (220)	\$ (220)	\$ (12,076)	\$ (11,856)
Other financing sources:				
Operating transfers in.	220	5,220	12,120	6,900
Excess of revenues over (under) expenditures and other financing uses.	\$	\$ 5,000	\$ 44	\$ (4,956)
Fund balance - July 1, 2003	18	18	18	
Fund balance - June 30, 2004.	\$ 18	\$ 5,018	\$ 62	\$ (4,956)

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CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
LIBRARY FUND

For the Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
Taxes	\$ 19,997	\$ 19,997	\$ 19,949	\$ (48)
State sources	100	100	99	(1)
Interest earnings	100	100	19	(81)
Total revenues	\$ 20,197	\$ 20,197	\$ 20,067	\$ (130)
Expenditures:				
Contractual services	20,097	20,097	19,949	148
Miscellaneous	100	100	99	1
Total expenditures	\$ 20,197	\$ 20,197	\$ 20,048	\$ 149
Excess of revenues over (under) expenditures	\$	\$	\$ 19	\$ 19
Fund balance - July 1, 2003	339	339	339	
Fund balance - June 30, 2004	\$ 339	\$ 339	\$ 358	\$ 19

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CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
RAILS TO TRAILS FUND

For the Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
State grant	\$ 13,000	\$ 13,000	\$	\$ (13,000)
Interest earnings	100	100	252	152
Donations	500	500		(500)
Total revenues	\$ 13,600	\$ 13,600	\$ 252	\$ (13,348)
Expenditures:				
Maintenance	500	500		500
Miscellaneous	500	500	300	200
Improvements	1,500	1,500		1,500
Total expenditures	\$ 2,500	\$ 2,500	\$ 300	\$ 2,200
Excess of revenues over (under) expenditures	\$ 11,100	\$ 11,100	\$ (48)	\$ (11,148)
Other financing sources:				
Operating transfers in			50	50
Excess of revenues over (under) expenditures and other financing uses	\$ 11,100	\$ 11,100	\$ 2	\$ (11,098)
Fund balance - July 1, 2003				
Fund balance - June 30, 2004	\$ 11,100	\$ 11,100	\$ 2	\$ (11,098)

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CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
LAKE LEVEL/DRAINS FUND

For the Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
Taxes	\$ 250	\$ 250	\$ 248	\$ (2)
Interest earnings	300	300	186	(114)
Total revenues.	\$ 550	\$ 550	\$ 435	\$ (115)
Expenditures:				
Lake level - county drain	1,600	1,950	1,988	(38)
Audit	50	50		50
Total expenditures.	\$ 1,650	\$ 2,000	\$ 1,988	\$ 12
Excess of revenues over (under) expenditures.	\$ (1,100)	\$ (1,450)	\$ (1,553)	(103)
Fund balance - July 1, 2003	17,384	17,384	17,384	
Fund balance - June 30, 2004.	\$ 16,284	\$ 15,934	\$ 15,831	\$ (103)

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CITY OF SYLVAN LAKE, MICHIGAN

BUDGETARY COMPARISON SCHEDULE
FIRE STATION BOND FUND

For the Year Ended June 30, 2004

	Original Budget	Amended Budget	Actual	Variance with Amended Budget Favorable (Unfavorable)
Revenues:				
Taxes	\$ 44,070	\$ 44,070	\$ 43,973	\$ (97)
Interest earnings	200	200	90	(110)
Total revenues	\$ 44,270	\$ 44,270	\$ 44,062	\$ (208)
Expenditures:				
Audit fees	100	100	175	(75)
Debt Service:				
Principal	30,000	30,000	30,000	
Interest	13,670	13,670	13,670	
Paying agent fees	500	500	400	100
Total expenditures	\$ 44,270	\$ 44,270	\$ 44,245	\$ 25
Excess of revenues over (under) expenditures	\$	\$	\$ (183)	\$ (183)
Fund balance - July 1, 2003	13,100	13,100	13,100	
Fund balance - June 30, 2004	\$ 13,100	\$ 13,100	\$ 12,917	\$ (183)

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JANZ & KNIGHT, P.L.C.

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R. JOSHUA GIRTH

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YEARS
1954-2004

MEMBERS

AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
MICHIGAN ASSOCIATION OF
CERTIFIED PUBLIC ACCOUNTANTS

October 21, 2004

To The City Council and Management
of the City of Sylvan Lake

In planning and performing our audit of the general purpose financial statements of the City of Sylvan Lake for the year ended June 30, 2004, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the City of Sylvan Lake's ability to record, process, summarize, and report financial data consistent with the assertions of management in the general purpose financial statements.

- I. Budgets: The adoption of the Michigan Uniform Local Budgeting Act (Act N. 621, Public Acts of 1978), effective for fiscal years beginning after December 31, 1980, has made it mandatory that balanced budgets be adopted and that those budgets be amended before expenditures exceed the budgeted amount. Expenditures significantly exceed budgeted amounts in the following areas:

<u>Fund</u>	<u>Activity</u>	<u>Budget Appropriation</u>	<u>Actual Expenditure</u>	<u>Budget Variance</u>
General	Clerk-Treasurer	\$ 40,232	\$ 42,264	\$ 2,032
General	Police department	321,432	335,300	13,868
General	Community Center	14,019	17,304	3,285
General	Transfer out	5,000	12,170	7,170
Major Road	Construction		901,481	901,481*
Local Road	Construction		2,154,386	2,154,386*
Building Department	Benefits	5,342	9,570	4,228

*Construction expenditure budgeted in capital project fund.

We urge the Council to continue to periodically compare budget and actual expenditures and to amend the budget prior to approval of expenditures, including accruals, which will exceed the budget.

Budgets should also reflect appropriation of prior year fund balance when required for a balanced budget. Appropriations should not exceed fund balance when adjusted at year end.

- II. It was noted during the course of the audit that bank accounts were not being reconciled in a timely manner. We recommend that all bank accounts be reconciled monthly.

- III. All loans between funds are to be approved by City Council prior to the loan. Since the City uses a pooled cash fund an overdraft by one fund results in borrowing from other funds. Care must be taken to approve borrowing prior to such action. The approval should stipulate amount, duration and any terms of the loan.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control structure elements does not reduce to a relatively low level of risk that errors or irregularities in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable condition that are also considered to be material weaknesses as defined above. However, the reportable conditions described above are not believed to be a material weakness.

This report is intended solely for the information and use of the City Council, management, and others within the administration. However, this report is a matter of public record, and its distribution is not limited.

We would be pleased to discuss any of the aforementioned items with the Council and to assist in the implementation of these recommendations at your convenience.

Very truly yours,

Jamz + Knight, PLLC

Certified Public Accountants

J&K/srz